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C O N F I D E N T I A L SECTION 01 OF 03 KUALA LUMPUR 001013

SIPDIS

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TAGS: [PM](#) [PREL](#) [PGOV](#) [MARR](#) [MY](#)

SUBJECT: MALAYSIAN F-5 ENGINES CASE AND ACTION REQUEST

Classified By: POLCOUNS Brian McFeeters for reasons 1.4 (b, d).

1.(C) SUMMARY, COMMENT, AND ACTION REQUEST: On December 19, the Malaysian press reported the 2007 theft of a J-85 aircraft engine (for the F-5 aircraft). Subsequent reports indicated that, in fact, two engines had been stolen and sold to an international company in South America. The story has been front-page news in Malaysia's government-influenced press and uncensored blogosphere since then. In recent days, Post has queried Malaysian interlocutors on the current location of the engines. They either do not know the location or have been instructed to withhold information while a police investigation continues. Malaysian interlocutors also have not provided adequate explanation as to why, after two years, this incident has just now become public.

2.(C) Comment: We do not yet have sufficient command of the facts to determine whether this story will have significant domestic repercussions. The Prime Minister will have a personal stake, given his past role as Defense Minister, and that could explain in part his prominence in the media coverage of this issue thus far. More important, however, from the perspective of U.S. interests, is how this case can be used to advance our call for a more effective export control regime in Malaysia. Our strongest leverage, it appears, is the need for Malaysia to persuade us that military transfers subject to the Arms Export Control Act can be carried out with confidence in the Malaysians ability and will to comply with our law and regulation.

3.(C) Action Request: Post requests (a) clarification as to whether Section 3 of the Arms Export Control Act has been violated, (b) talking points for use with GOM interlocutors (see suggestions para 10) and (c) press guidance on this issue (see suggestion para 11). END SUMMARY AND ACTION REQUEST.

Disclosure Brings Extraordinary Attention

14. (SBU) The missing engine first became public knowledge when Defense Minister Ahmad Zahid Hamidi disclosed the information to the New Straits Times, a government-influenced newspaper, on December 19. (Comment: this was the same day that the opposition coalition Pakatan Rakyat (PR) held its first-ever convention--an event likely to overshadow the DefMin's announcement. End Comment.) Other media outlets, both government-influenced and independent online media, quickly picked up on the story and began intense coverage, and as of December 23 the story was being reported in regional and international publications, including the Singapore Business Times and the UK's Financial Times. Some news reports indicate that the engine was detected missing as early as 2007, but according to Hamidi the engine was detected missing in May 2008, though no decision was made to report the incident to the police for investigation until August 2008. (Note: PM Najib was the Defense Minister at the time the engine disappeared. End Note.) Attorney General Gani Patail stated that his office only received the

investigation papers from the police in November 2009, and that since then his office has sent the investigation back to the police with further directives. Hamidi initially disclosed that a single F5 fighter jet engine worth 50 million Malaysian Ringgit (approximately \$15 million USD) had been sold to an international company based in South America.

Since then the missing inventory has expanded to include a second engine worth another 50 million Ringgit, additional support parts (no details available), and indications that the 'international company' is an arms dealer. The Utusan, the party newspaper of the ruling United Malays National Organization (UMNO) party, reported on December 23 that the company involved in the purchasing of the engines was a Malaysian company based in another (unspecified) country. Armed Forces chief General Azizan Ariffan, who was then the Air Force chief, sought to justify the news blackout by stating that although they "reported the loss of the jet engine last year...investigations are still being carried out by the police."

15. (C) The Prime Minister commented on the incident, calling for complete transparency and vowing to punish those involved. Najib praised the leadership of the Defense Ministry and the Royal Malaysian Air Force (RMAF) for their actions to date, stating "to the credit of the RMAF and MinDef, there was no intention of covering up (the theft) at all. I was the minister in charge at the time and I decided it should be reported to the police." Perhaps even more telling than the PM's statement, the government-influenced media took the unprecedented step of publicly condemning the military, openly calling the armed forces "arms dealers," though they refrained from criticizing then-Defense Minister

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Najib.

16. (SBU) Public criticism continues to boil since news of the missing engine became public. Opposition politicians immediately capitalized on the incident, with Democratic Action Party leader Lim Kit Siang calling the Prime Minister's response "a frightening picture of a government of thieves." Islamic Party of Malaysia (PAS) spokesman Idris Ahmad said that the sale could have only occurred through "powerful people," and added that "we don't want only the anchovies to be arrested while the sharks are allowed to swim freely." Armed Forces Chief Azizan said "their act jeopardizes national security. They are traitors and should be punished for treason." Opposition Member of Parliament (MP) Liew Chin Tong expressed deep concern, because "no one knows how many other military assets are stolen in this manner," suggesting that the engine or other military assets could have been transferred to undesirable parties to include Iran. The Singapore Business Times, quoting the New Straits Times, said the engines were shipped to a Middle Eastern country that "was the subject of U.S. sanctions." (Note: post could not find this quotation in the New Straits Times. End Note.) Editorials in government-influenced newspapers have also questioned why the police were the only ones involved with the investigation, who is powerful enough to steal/sell \$30 million in jet engines, why the Air Force chief was promoted to Armed Forces chief, and the extent of other military munitions that may have been sold illegally. According to independent online Malaysiakini's December 23 editorial, "if two tons of jet engine can go missing, how many grenades, M16s, bullets, etc have gone missing? Is this why the West thinks we support Muslim militants?"

Action Request

17. (C) Post understands that aircraft engines are classified as defense articles on the United States Munitions List, the unauthorized transfer of which is a violation of Section 3 of the Arms Export Control Act. Post requests clarification whether the J-85 aircraft engines reported as missing in Malaysia indeed fall under this category.

Lack of GOM Reporting

¶8. (C) Within the last year, Post has identified at least three opportunities in which the Malaysian Air Force or Defence Ministry should have notified the U.S. of the missing engines:

-- In January 2009, in accordance with USAF regulations, the Malaysian Air Force submitted an inventory recertification listing of J-85 engines to the USAF J-85 engine program manager. There were no discrepancies identified to Post in this inventory.

-- In March 2009, the Malaysian Air Force advised Post they had sent a J-85 engine to Orenda Company in Canada in 2006 for repair. Subsequently, the engine developed faults and the Malaysian Air Force was attempting to ship the engine back to Canada for warranty work. During this period, the Department of State Office of Regional Security and Arms Transfers (PM/RSAT) advised that such a transfer, even if for repair, required a formal application from Malaysia and USG approval. Malaysia completed this application in April and State PM/RSAT approved the temporary transfer to Orenda in July 2009 (see letter dated 06 July 2009, RE: PM/RSAT 3PT Case 09-1906).

-- In May 2009 the USAF and Malaysian Air Force conducted a routine bilateral J85 engine review conference. No issues of missing engines were raised to Post during this conference.

¶9. (C) The Malaysian Air Force should have been acutely aware of the requirement to advise the U.S. immediately of missing engines, especially after the formal notification process undertaken in March-July period mentioned above.

Suggested Talking Points

¶10. (C) Assuming that the Arms Export Control Act is thought to be violated, Post requests approval of the following talking points for use with GOM officials as appropriate in following up on reports of missing/stolen F-5 aircraft engines, and possibly of other U.S.-supplied materials:

-- After extensive recent media reporting on missing F-5 aircraft engines, it is important for the U.S. Embassy to receive a briefing from the GOM on this case.

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-- In addition, given the engines require USG authority to transfer under the Arms Export Control Act, the USG requests a thorough written investigative report on this issue as soon as possible.

-- The GOM's promptness and thoroughness in replying to these requests for information will have a bearing on the ability of the USG to continue supplying such military equipment to the GOM.

-- In addition, when the investigation of this case is complete, it will be important for the GOM to provide to the USG an explanation of measures in effect to prevent future theft and/or diversion of U.S. military equipment supplied to the GOM.

Suggested Press Guidance

¶11. (SBU) Post requests approval of the following press guidance for use with Malaysian and international journalists as appropriate, noting that the Embassy has already received several requests for comment:

-- We have seen recent media reports that U.S.-supplied F-5 aircraft engines were stolen.

-- The USG has requested that the GOM provide a comprehensive report on the ongoing investigation.

--We will continue our ongoing discussions with the Malaysian authorities.

KEITH